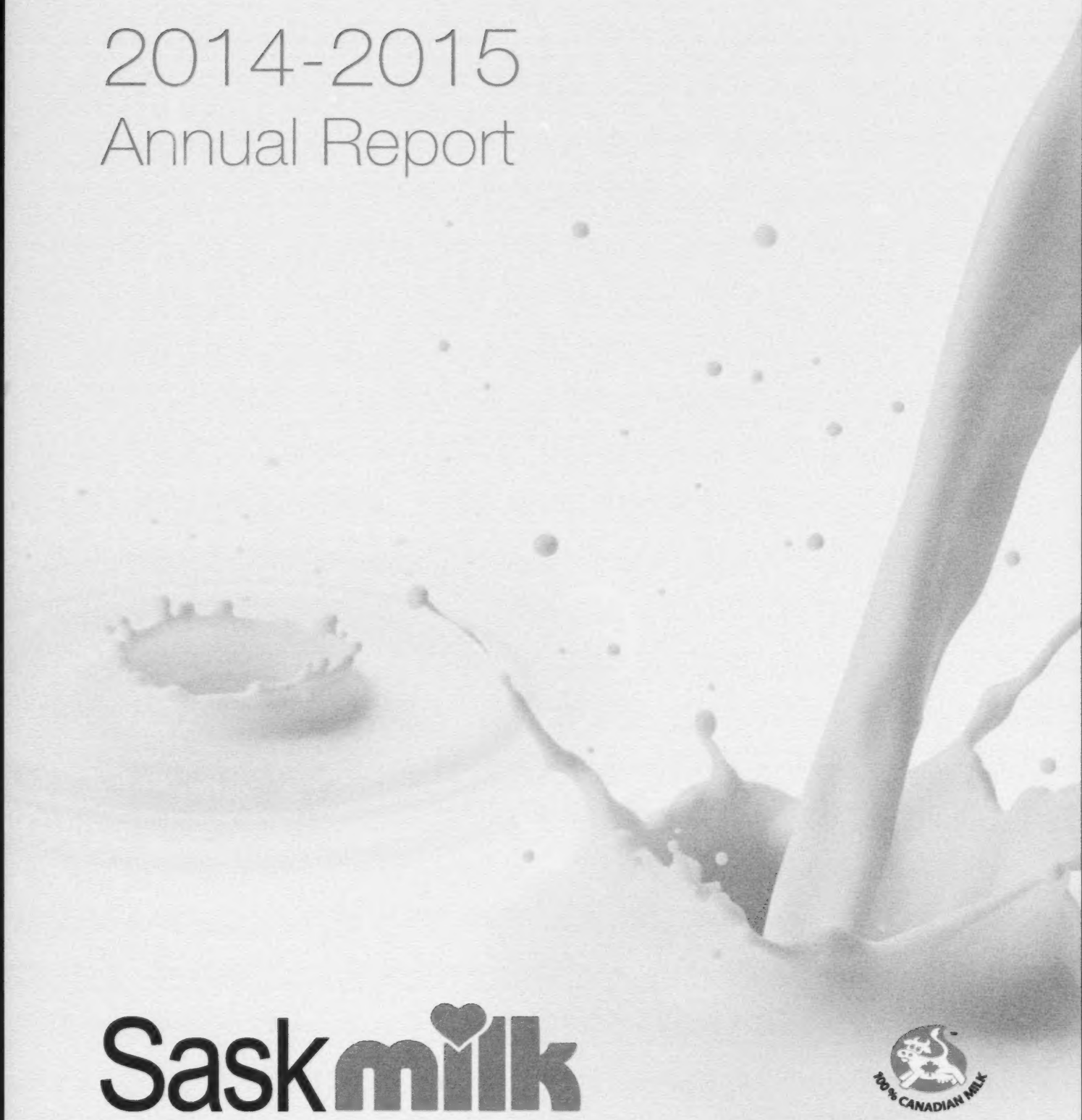
2014-2015
Annual Report



Saskmilk

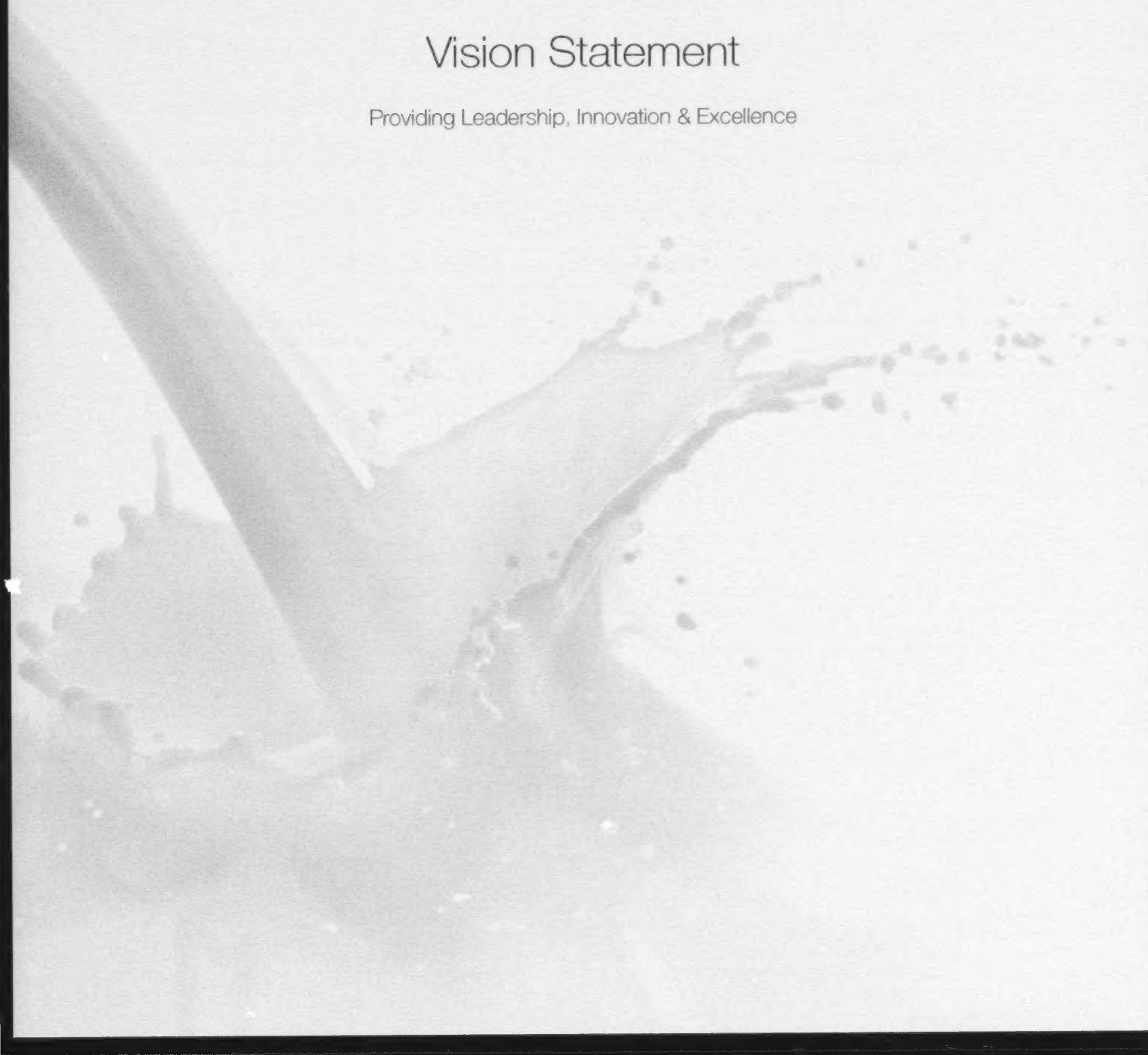
100% CANADIAN MILK

Misson Statement

SaskMilk, dairy farmers growing the dairy industry

Vision Statement

Providing Leadership, Innovation & Excellence



Board of Directors 2014-2015

Melvin Foth,
Chair
Box 497
Hague, SK
S0K 1X0

Ryan Enns
Box 463
Osler, SK
S0K 3A0

Isaac Klassen
Box 81
Osler, SK
S0K 3A0

Brad Kornelius,
Vice-Chair
Box 509
Osler, SK
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David Entz
Box 100
Pennant, SK
S0N 1X0

Brian
Lindenbach
Box 192
Balgonie, SK
S0G 0E0

Denise Coghill
Box 50
McLean, SK
S0G 3E0

Jack Ford
Box 250
Wishart, SK
S0A 4R0

Tom Mackenzie
R.R. #1
Zehner, SK
S0G 5K0

Staff

Keith Flaman
General Manager

Jenn Buehler
Administrative Assistant

Dianne Cardinal
HR Coordinator/Producer Payment Officer

Bev Eckert
Promotions Assistant

Deb Haupstein
Dairy Specialist

Anita Medl
Marketing Manager

Doug Miller
Manager Finance & IT Services

Joy Smith
Manager Policy & Communications

Bev Solie
Quota Management Officer

Darlene Weighill
Financial Officer

Chairman's Report

This year the Board continued its ongoing reviews of policies, work on governance, and building relationships and opportunities for the Saskatchewan dairy industry.

A review of the New Entrant Program was done, and a completely new program was developed (the Dairy Entrant Assistance Program). This new approach is to provide a better opportunity to new entrants, give them a better chance for survival, and hopefully an opportunity to be successful and grow.

The board has also spent time in reviewing the SaskMilk quota policy. This takes time for the board to weigh all of the information and options, and to try to understand the implications of changes considered. The board has had to shift its focus from what is good at the producer level to what is good and what is required to fulfill our obligations within the national system. The board will bring something forward on this in the next dairy year.

The board has continued work in our internal governance policies and will continue this, as governance is ongoing. Part of the work on internal governance includes work on Board policies that govern the conduct and considerations of the Board members individually and as a group. In addition, the next year will see a focus more on developing and refining an effective strategic plan.

The SaskMilk board has put a high priority on building and strengthening relationships and communication with government as well as processors and all industry stakeholders. We have actively increased communications with the Saskatchewan Minister of Agriculture, and will continue to reach out to keep the government informed on our challenges and opportunities.

Another area of work is engaging in trying to entice investment in processing, value added, and niche market initiatives. We continue to pursue opportunities for Saskatchewan as well as the Western Milk Pool. We recognize that there will be population growth in the west and this should lead to more dairy production and processing in the future and we believe that now is the time to lay the ground work of plant the seeds for this to happen.

We continue to be engaged with our partners in the challenges facing our dairy industry. Priority areas include the uncertainties around TPP, the lack of an ingredient strategy to modernize the Canadian dairy market, imports of SNF, and growing demand for butter and cream combined with low world prices for SNF. Some of these issues have a significant impact on producers' blend price and on producers' income. SaskMilk continues to be an active participant in working to resolve these challenges.

SaskMilk continues to move toward CQM validation of all producers for the end of 2015, and in January the board approved a monetary penalty for noncompliance that applies to producers not validated by the deadline (and also if producers lose their registration on CQM). SaskMilk is active on the DFC ProAction development which includes the CQM, Animal Care, Traceability, Biosecurity, and Environment modules. SaskMilk producers also participated in the Animal Care pilot over this past year.

Some other activities of the Board include quota issuance and incentive day decisions, approval of an updated Allocation Policy for processors, tours of University of Saskatchewan research, development, and food centre facilities, and media training.

It has been a rewarding year in working with the board and staff, and I believe we have developed into a Board that has healthy diversity and varying perspectives while still having the ability to make unified decisions. We enjoy working as a team along with SaskMilk staff to accomplish the mandate and goals of SaskMilk.

Melvin Foth

General Manager's Report

Most organizations exist to provide products or services which add value to the bottom line of another entity. In some cases. organizations have a regulatory responsibility which is mandated by law. SaskMilk is a hybrid organization that is charged with ensuring compliance with regulations and also provides services for the benefit of milk producers.

Perhaps one of the most important services provided is communication. Educating producers on current regulations, the purpose of a regulation, changes to regulations can assist producers in meeting their regulatory requirements. Additionally, providing pertinent information in a timely manner provides producers the option to incorporate innovative management practices to their farm.

With an aim to simplification and convenience, reviewing and updating administrative policies is a constant exercise. Some of the changes require programming updates and take some time; however, the vision that producers should have at their fingertips the most recent information on quality and component tests is imminent. The vision also includes dairy producers having access to historic information where information on past performance can help determine decisions for the future.

One of the important and often overlooked responsibilities of the administration is to provide background information to the Board in areas of policy development. As well, it is important to research the circumstances surrounding issues that surface in the countryside. The Board, with reliable background, is in a better position to make a rational policy decision or to objectively review the consequence of a policy.

A Board strategy is to work closely with government and industry partners. While there are high level meetings between the Board and the Minister of Agriculture, partners in Milk West and others, most interaction, which requires considerable time and effort, occurs at the staff level. The administration is in regular contact with government and partners sharing communication, plans and implementation details.

The Western Milk Pool continues to w harmonization of programs and services when it is in the best interest of milk producers in Western Canada. Staff comprising the technical committee of the Western pool meet regularly to explore ways for closer collaboration. Competition and external forces will continue to pressure the system for efficiencies in order to shore up the blend price.

Implementing Board directives, new policies and programs is the mandate of the administration. The letter and the intent of policies are applied at implementation and great effort is taken to ensure that policies are delivered in a fair and equitable manner.

On behalf of the Administration, it is a privilege to work with the Board for the betterment of the dairy producers and the dairy industry in Saskatchewan.

Keith Flaman

Dairy Farmers of Canada

This year, Dairy Farmers of Canada continued to team up with industry partners to reinforce supply management and to promote the increased consumption of milk and milk products.

DFC continues to monitor the Trans-Pacific Trade negotiations closely, and to advocate to national stakeholders including the federal government, the positive impacts generated by our industry on the Canadian economy as well as the efficiency of our supply management system. While the implementation of the Comprehensive Economic and Trade Agreement (CETA) is experiencing delays, DFC board members and staff continue to engage in talks with the Canadian government on a proper mitigation plan.

DFC also continues to promote the Canadian dairy industry and emphasize the benefits of supply management to the public. DFC's role on social media is to educate consumers about Canadian dairy farming, to foster discussions around its brands and to encourage healthy eating habits. More and more dairy farmers are embracing and participating on social media platforms such as Facebook, Twitter, the Farmers' Voice blog, etc. DFC encourages all Canadian dairy farmers to share their story. In May, DFC launched a public outreach campaign to tell Canadian consumers just how much the Canadian dairy sector contributes to the country's economic and social well-being.

This campaign and other communication efforts also counter criticism about supply management. DFC, producers, stakeholders, and partners are replying to critics with facts and arguments - including setting the record straight on the much touted Australian deregulation - and showing our system is as relevant as ever and benefits all Canadians.

Canadian dairy farmers invest time and energy to develop proAction's six modules to be implemented by 2023. Over 97% of Canadian dairy farms are on the Canadian Quality Milk program, and we are on track of achieving our goal of 100% registration this fall. This outstanding accomplishment is compounded by the fact that DFC achieved Full Recognition from the Canadian Food Inspection Agency in May 2015, demonstrating that the Canadian Quality Milk program has been implemented effectively and consistently across Canada.

In late 2014 and early 2015, provincial coordinators ran a pilot of the Animal Care program in over 120 farms spread out across nine provinces. Participants from the pilot provided constructive feedback, and the Animal Care and Traceability modules will start to be implemented on farms this fall. The Biosecurity and Environment modules are being drafted and a combined on-farm pilot is scheduled to begin next January.

DFC also continues to engage in constructive dialogue with the government and processors to discuss growth in the market. The Board has continued to encourage our industry partners to join producers in establishing a new market environment for the Canadian dairy industry. Producers and processors have identified a set of policies to support growth in markets for dairy products and ingredients while maintaining the core elements of supply management. They have agreed to sit at an industry table to consider how best to implement this set of policies as a comprehensive package.

The recent 3-million dollar investment of the Canadian government towards the world-class research and innovation centre being built at the University of Guelph will also help address the research, education and training needs and priorities of the dairy sector to pursue new opportunities for the next several decades.

DFC proudly continues to drive innovation in dairy. The investments in research led to the launch of 23 new projects in the areas of human nutrition and health as well as milk production sustainability, dairy genetics and genomics under the second Dairy Research Cluster as well as four new dairy projects in the Organic Science Cluster.

The organization is going through a period of change as many colleagues have retired or chosen to pursue new opportunities. In particular, DFC welcomed a new Executive Director, Caroline Emond, this past year. It is a great pleasure to have her on board to pursue DFC's goals and maintain the strong reputation of our industry and Canadian dairy farmers.

Marketing and Nutrition

The All You Need is Cheese campaign continues to help consumers in English Canada discover numerous cheeses made from 100% Canadian milk via a national advertising campaign, in-store promotions in major retailers, events and sponsorships, social media, and the All You Need is Cheese magazine. To date, we count almost 100,000 magazine subscribers, an increase of 16.5% since 2013.

For a third year, the Milk Every Moment campaign, which promotes milk consumption to adults, will include new television ads, online and social media content, as well as in-store promotional activities.

DFC's 2014 national Get Enough nutrition campaign encouraged consumers to get the recommended servings of milk and milk products with a comprehensive set of tools, including an advertising campaign and the Get Enough Helper app. DFC's dietitians continually reach out to health professionals, physical activity experts, teachers and educators to share the healthy benefits of milk products through partnerships, education programs, exhibits and more.

Our integrated marketing campaign continues to promote farmers, quality milk and the 100% Canadian Milk symbol found on various billboards, magazines and websites. Indeed, last March, our CanadianMilk.ca website was revamped with fresh new content.

DFC will continue to engage in productive dialogue with the government in order to maintain the integrity of our vital supply management system. The board also looks forward to working with stakeholders in an effort to grow our market for dairy products and ingredients further through new market initiatives.

Ryan Enns

Research Report

SaskMilk enjoyed a very productive year on the research front. We have many new projects started, many projects ongoing, and we have expanded with other AFC partners into helping fund graduate students in the field of forages.

The Rayner Centre at the university has seen a steady increase in traffic through the interpretive gallery. We have seen high profile people coming from all corners of the world to not only see what we have to offer but also to begin talks to start a long term collaboration with the University of Saskatchewan.

SaskMilk is co-funding a very large calf-rearing project with our Western Milk Pool partners, and we hope that there will be more cross-province funding of projects in the future. This particular project will primarily take place at the University of Alberta but will have collaboration with the University of Saskatchewan.

SaskMilk is very happy to see a renewed interest in forages in our province by the Government of Saskatchewan and the University. The Forage Network now has eight different agencies involved that cover everything from seed production to forage production to consumption by sheep, bison, beef, and dairy. We recognise that forage is the backbone of our industries, and we are very appreciative of this recognition by both government and academia. We also believe that the Forage Network played a key role in the establishment and funding of the Livestock and Forage Centre of Excellence. It is our understanding that the construction phase of this project is about to begin.

SaskMilk is proud of the fact that the dairy industry broke new ground several years ago with the creation of the Rayner Centre and many of the concepts of that centre's partnerships are being incorporated into the Livestock and Forage Centre.

This past year also saw another successful Dairy Info Day, where producers were able to hear the progress and results of projects of interest. Topics of interest included pain control, heel wart research, omega-3, feed management and processing, and a general report on Rayner Centre operations.

We look forward to another year of collaborating with our partners to drive forward research that benefits all Saskatchewan sectors.

Jack Ford

Production Report

As of July 2015, Saskatchewan had 163 dairy operations in the province.

The total milk shipped for the year was 237,183,074 litres, which is an increase over the previous year of 1.73%. Butterfat production for the dairy year was 9,548,434 kilograms, up from the previous year by 350,100 kilograms, an increase of 3.81%.

In the Western Milk Pool, Class 1 fluid sales were 891,738,523 litres, this is down 1,137,013 litres from the previous year, or 0.13%. Saskatchewan share of the Western Milk Pool fluid sales was 7.10%.

The average milk composition was:

Butterfat	4.0258%
Protein	3.3276%
Other Solids	5.7001%

Average blend price:

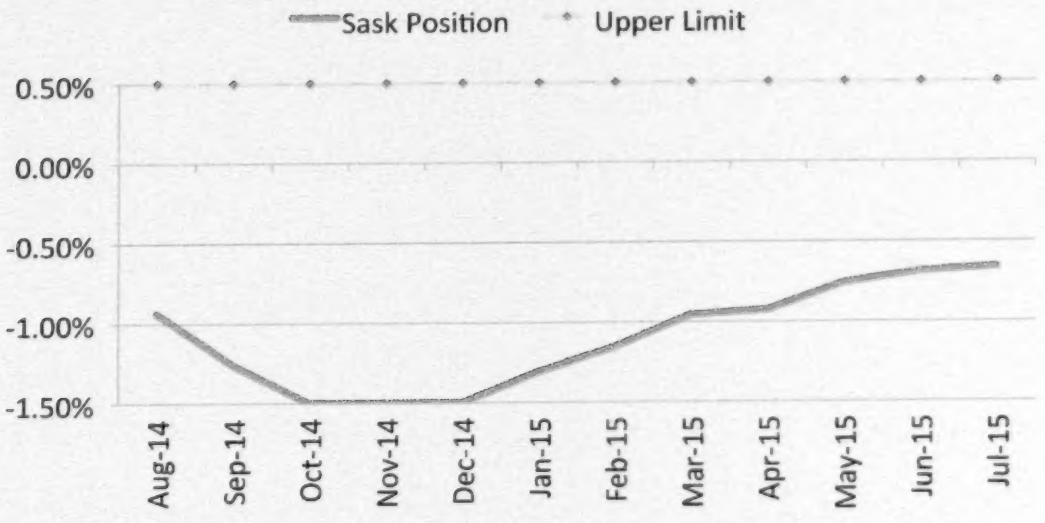
All Milk	$81.40/hl
Butterfat	$20.19/kg

Average component prices:

Butterfat	$11.468405
Protein	$ 8.468383
Other Solids	$ 1.235939

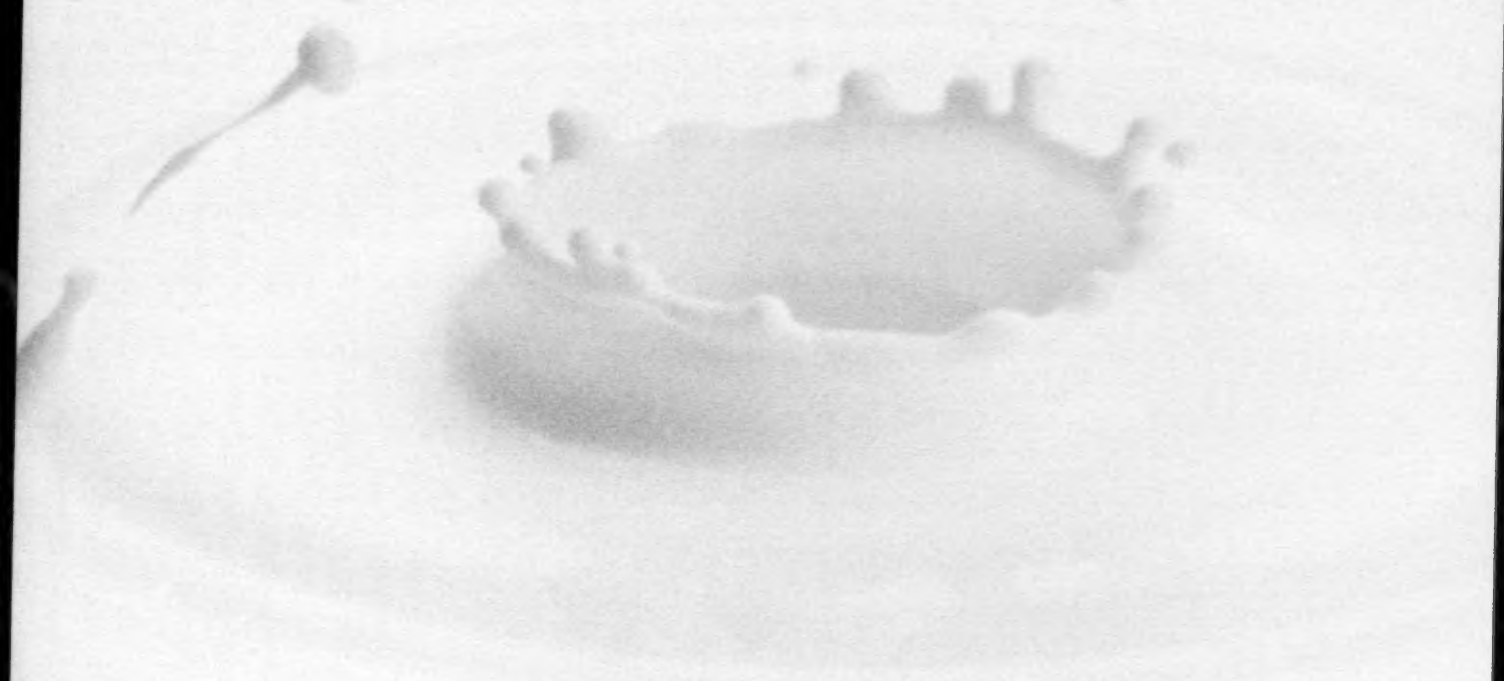
	Monthly Total Production	Monthly CDC Allocation	Monthly Over/Under Production	Cumulative Quota Filled	Daily kgs shipped
Aug-14	755,864	776,183	-20,319	97.38%	24,383
Sep-14	757,014	787,264	-30,250	96.77%	25,234
Oct-14	784,476	833,403	-48,927	95.85%	25,306
Nov-14	777,548	805,593	-28,045	96.02%	25,918
Dec-14	811,818	844,949	-33,131	96.03%	26,188
Jan-15	826,250	808,782	17,468	97.05%	26,653
Feb-15	759,350	745,108	14,242	97.70%	27,120
Mar-15	835,109	816,894	18,215	98.27%	26,939
Apr-15	804,567	802,087	2,480	98.50%	26,819
May-15	827,967	812,182	15,785	98.85%	26,709
Jun-15	797,818	791,259	6,559	99.03%	26,594
Jul-15	810,653	808,287	2,366	99.13%	26,150
Totals	**9,548,434**	**9,631,993**	**-83,559**	**99.13%**	**26,160**

SK Milk Production



Saskmilk

Financial Statements
Saskatchewan Milk Marketing Board
For the 12 months ended July 31, 2015



Management's Responsibility for the Financial Statements

To the Board of Directors:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors are composed entirely of Directors who are neither management nor employees of Saskatchewan Milk Marketing Board ("SaskMilk"). The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for recommending approval of the financial statements to the Board. The Board of Directors has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the SaskMilk's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board of Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

October 29, 2015

General Manager

Independent Auditors' Report

To the Directors of Saskatchewan Milk Marketing Board:

We have audited the accompanying financial statements of Saskatchewan Milk Marketing Board ("SaskMilk"), which comprise the statement of financial position as at July 31, 2015, and the statements of operations and changes in net assets, and cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SaskMilk as at July 31, 2015 and the results of its operations, changes in net assets and cash flows for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.

Regina, Saskatchewan
October 29, 2015

MNP LLP
Chartered Professional Accountants

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS
Best Employers in Canada

ACCOUNTING › CONSULTING › TAX
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1.877.500.0780 P: 306.790.7900 F: 306.790.7990 MNP.ca

Saskatchewan Milk Marketing Board

Statement of Financial Position

As of July 31, 2015

	2015	2014
Assets		
Current		
Cash	$2,968,995	$3,114,105
Accounts receivable	9,943,140	8,545,637
GST receivable	26,690	10,124
Prepaid expenses	115,101	180,184
	13,053,926	**11,850,050**
Capital Assets (*Note 3*)	244,357	291,518
	$13,298,283	**$12,141,568**
Liabilities		
Current		
Accounts payable and accrued liabilities	$10,290,866	$9,610,860
PST Payable	152	-
	10,291,018	**9,610,860**
Internally Restricted Fund - Industry Development *(Note 9)*	769,143	689,898
General Fund	2,238,122	1,840,810
Net Assets	**3,007,265**	**2,530,708**
	$13,298,283	**$12,141,568**

Commitments (*Note 5*)

Approved by the Board of Directors

Director **Director**

See accompanying notes to the financial statements

Saskatchewan Milk Marketing Board

Statement of Operations

For the 12 months ended July 31, 2015

	BUDGET *(Note 10)*	2015	2014
	(Unaudited)		
Revenue			
Milk sold to processors	$176,400,000	$180,236,140	$178,201,374
Milk pools (*Note 4*)	15,000,000	12,261,286	15,156,462
Milk pool administration and assessment fees *(Note 11)*	4,115,144	4,047,486	2,443,216
Interest	72,000	72,362	80,366
Milk quality penalties	120,000	190,400	88,821
Licence fees and miscellaneous	542,640	579,837	554,688
Promotion Levy	3,525,000	3,558,056	3,497,607
Grants		38,691	423,213
	199,774,784	**200,984,258**	**200,445,747**
Expenses			
Milk purchased from producers	192,478,800	193,739,272	193,902,169
Administrative expense	2,143,788	2,037,019	1,768,580
DFC Industrial Levy and Membership	1,726,504	1,702,991	1,674,299
Milk West	1,119,070	794,909	1,576,263
Salaries	825,955	862,240	923,210
Marketing, Nutrition and Education Activities	361,000	422,016	294,118
Travel, sustenance and vehicle expense	296,979	234,415	223,832
School Milk Program	165,500	132,051	151,456
Employee benefits	198,989	172,912	146,465
Rent	143,609	153,454	137,546
Honoraria	129,125	100,113	98,525
Amortization	80,000	130,664	65,828
Legal	25,000	9,997	19,469
Cost of production study	15,000	15,648	(719)
	199,709,319	**200,507,701**	**200,981,041**
Excess of revenues (expenses)	**$65,465**	**$476,557**	**($535,294)**

See accompanying notes to the financial statements

Saskatchewan Milk Marketing Board

Statement of Changes in Net Assets

For the 12 months ended July 31, 2015

	General Fund	Internally Restricted for Industry Development	2015	2014
Net assets, beginning of year	$1,840,810	$689,898	$2,530,708	$3,066,002
Excess of revenue (expenses)	476,557	-	476,557	(535,294)
Net assets transferred in	-	-	-	-
Interfund transfers (Note 9)	(79,245)	79,245	-	-
Net assets, end of year	**$2,238,122**	**$769,143**	**$3,007,265**	**$2,530,708**

See accompanying notes to the financial statements

Saskatchewan Milk Marketing Board

Statement of Cash Flows

For the 12 months ended July 31, 2015

	2015	2014
Cash Flows from Operating Activities:		
Cash receipts from processors and fees	199,497,826	201,512,260
Interest received	72,362	80,366
Cash paid to producers	(198,596,643)	(200,302,597)
Cash paid to employees and board members	(1,035,152)	(1,039,675)
Cash flows from operating activities	(61,607)	250,354
Cash Flow used for Capital Transactions:		
Purchase of tangible capital assets	(83,503)	(9,362)
Cash Flow from Financing Activities		
Net (decrease) increase in cash during the year	(145,110)	240,992
Cash position, beginning of year	3,114,105	2,873,113
Cash position, end of year	2,968,995	3,114,105

See accompanying notes to the financial statements

1. Incorporation

The Saskatchewan Milk Marketing Board (SaskMilk) is a producer marketing board established under the Agri Food Act effective October 1, 2010. The Board's general role and responsibility is to design and implement dairy policies and programs for the benefit of producers and other industry stakeholders.

In particular, the Board is responsible for:

- collection and purchase of producer milk;

- transport and sale of milk to distributors and processors; and

- compensate producers through a multiple component pricing system and manage production levels in conjunction with the National and Regional Marketing Agreements; and

- collect and administer fees or levies required to operate the provincial milk pool, and to fund Board program activities (promotion and nutrition) of benefit to the industry.

The Board provides leadership to the Saskatchewan dairy industry in addressing provincial, regional, national and international issues. It also promotes the interests of Saskatchewan producers at Western Milk Pool and Canadian Milk Supply Management Committee meetings.

Industry stakeholders' participation in policy and program consultations is facilitated primarily through semi-annual and annual producer meetings.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

a) Revenue Recognition

Revenue from the milk sold to the processors is recognized when the milk is delivered to the processor.

b) Cash

Cash is comprised of monies on deposit with the bank.

c) Capital Assets

Capital assets are recorded at cost and are amortized over their estimated useful lives. Amortization expense is calculated using the straight line amortization at the following annual rates:

Leasehold Improvements	10 years
Milk Payment System	6 years
Office furniture and equipment	3-10 years
Storage container	20 years

d) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

e) Income taxes

SaskMilk is incorporated as a not-for-profit organization and is exempt from income taxes.

f) Financial Instruments

SaskMilk recognizes its financial instruments when they become party to contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value. SaskMilk financial instruments consist of cash, accounts receivable, and accounts payable. SaskMilk subsequently measures financial instruments at fair value.

g) Financial Asset Impairment

SaskMilk assesses impairment of all of its financial assets measured at cost or amortized cost. SaskMilk groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group. Management considers whether the issuer is having significant financial difficulty and/or whether there has been a breach in contract in determining whether objective evidence of impairment exists. When there is an indication of impairment, SaskMilk determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, SaskMilk reduces the carrying amount of any

impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets and the amount that could be realized by selling the assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

SaskMilk reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenue (expenses) in the year the reversal occurs.

3. Capital Assets

	Cost	Accumulated Amortization	2015 Net Book Value	2014 Net Book Value
Milk Payment System	$349,246	$241,929	107,317	214,634
Leasehold Improvements	64,903	29,727	35,176	38,267
Office furniture and equipment	138,815	88,092	50,723	38,647
Milk Management System (New)	51,141	-	51,141	-
	$604,105	**$359,748**	**$244,357**	**$291,518**

The new Milk Management System is not being amortized as it is not in use and is not expected to be completed until fiscal 2016, therefore, amortization will commence in 2016.

4. Milk Pools

Effective August 1, 1991 (and continued August 1, 2003), the previous Saskatchewan Milk Control Board entered into an arrangement with its counterparts in Prince Edward Island, Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Alberta, British Columbia and the Canadian Dairy Commission (CDC). As of September 2006, Newfoundland and Labrador have signed on. This arrangement provides for pooling of revenues from sales of milk components in industrial and special classes of milk sold in domestic and external markets. CDC administers the Industrial and Special Class Pool.

Effective March 1, 1997, the previous Saskatchewan Milk Control Board entered into an arrangement with its counterparts in British Columbia, Alberta and Manitoba and CDC. This arrangement provides for pooling of all revenues from sales of Fluid Milk and Industrial Milk, including special classes, by producers to processors in the four western provinces. The purpose of the arrangement is to pool producer returns as if the western provinces constituted a single market. CDC administers the Western Milk Pool.

The Saskatchewan Milk Marketing Board has replaced the former Saskatchewan Milk Control Board in all previous agreements.

Based on each province's monthly utilization, CDC will either distribute a portion of, or require a contribution to the Industrial and Special Class Pool and Western Milk Pool. Saskatchewan received contributions of $12,261,286 (2014 - $15,156,462) from the milk pools.

5. Commitments

SaskMilk has entered into a lease for office space. The future minimum lease payments are as follows:

2016	$95,088
2017	$98,889
2018	$102,845
2019	$106,955
2020	$112,307

SaskMilk has a commitment to Milk West. In accordance with the related agreement, if the Board were to withdraw from the partnership it would still be responsible for its' full contribution to the Milk West program for the 12 months following the notice of withdrawal. The contribution is reviewed and updated annually.

6. Pension plan

SaskMilk participates in the Public Employees' Pension Plan, a defined contribution or benefit plan. SaskMilk obligations to the Plan are limited to 7.50% (2014 – 7.50%) of earnings for all employees for current services. During the year, SaskMilk contributed $63,194 (2014 - $56,204) to the plan, which is recorded as an expense.

7. Change in accounting estimates

Effective July 31, 2015, the Organization revised the estimated useful life of the Milk Payment System from 10 years to 6 years. This change in useful life was applied prospectively and prior year results have not been restated. For the year ended July 31, 2015, the change resulted in an increase of $72,392 in accumulated amortization on the Milk Payment System and an increase of $72,392 in amortization expense.

8. Financial instruments

a) Fair value

SaskMilk financial instruments consist of cash, accounts receivable, and accounts payable. The carrying amount of the Organization's financial instruments approximates their fair value, due to their relatively short-term maturities.

b) Credit risk

SaskMilk is subject to credit risk as all of the Board's milk sales are to one processor.

SaskMilk is also exposed to credit risk in accounts receivable in the event that a customer fails to honour its obligations. Credit risk is managed with regular credit assessments and active collection activity. In the event that an account is deemed uncollectible, the account will be written off as a bad debt.

c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. SaskMilk has no significant exposure to interest rate risk.

9. Internally Restricted Fund

A portion of the Add-On Levy on Class 1 milk is designated for Internally Restricted Operations – Industry Development. The Add-On Levy is being pooled in the WMP for the following: Quality Bonus, Inhibitor Testing Reagent, Environmental Compliance, Milk Quality Testing, Milk Metering, and Administration. SaskMilk receives revenue for Milk Quality Testing, Milk Metering and Administration from the WMP and, for the present, is paying into the WMP for Quality Bonus, Inhibitor Testing Reagent and Environmental Compliance.

IDF Funds were used for the following programs in 2014-2015: Inhibitor Testing Reagent – paid to the Processor, Quality Milk Bonus – paid to the Producers, Environmental Compliance – portion used to reduce haulage charges to Producers, Milk Quality Testing, CQM Program, Animal Care Project for proAction, and Information Technology.

10. Budget

The budgeted figures provided in the statement of operations and changes in net assets are presented for information purposes only and are unaudited. The 2014 – 2015 Budget was approved by the Board of Directors on July 4, 2014.

11. Milk pool administration and assessment fees

Included in the Milk pool administration and assessment fees is the following:

	2015	2014
Add-on revenue	$1,584,461	$1,444,872
SMMB assessment	1,541,823	502,966
Fluid shrink	277,007	216,704
Component testing	21,626	20,350
CDC surplus refund	662,288	338,662
Adjustments	(39,719)	(80,338)
	$4,047,486	**$2,443,216**

Promotional levy collected during the year totalled $3,558,056 (2014 - $3,497,607).

Note:

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